In the U.S. District Court
for the Northern District of West Virginia

Homeland Training Center LLC
v.
Summit Point Automotive Research Center and
William Scott Inter Vivos Trust
(Case No. 3:07-cv-00160-JPB)

Report of
Scott Carr, Ph.D.

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Introduction and Summary of Opinions

I, Scott Carr, am a principal at LECG, LLC (henceforth "LECG"), an international economics and consulting firm. In the matter of Homeland Training Center, LLC ("HTC") v. Summit Point Automotive Research Center ("Summit Point") and the William Scott Inter Vivos Trust,[1] I have been engaged by counsel for the defense to prepare expert opinions, which are contained in this report, of certain aspects of HTC's damages claims and of analyses prepared by Ms. Anna Kovalkova who has been put forward by the plaintiff as an expert witness.

I hold a Ph.D. in both Business Administration and in Industrial and Operations Engineering, an M.S.E in Industrial and Operations Engineering, an M.S.E. in Construction Management and Engineering, and a B.S.E. in Mechanical Engineering. In my current position at LECG, I provide consulting and expert services on a variety of economic and engineering topics, often in the context of litigation. In particular, I regularly perform complex valuations and economic analysis, often using sophisticated computer and analytical tools, and on two occasions I have submitted testimony to the Federal Energy Regulatory Commission on matters of corporate credit and debt.[2] Prior to joining LECG, I was a professor at the UCLA Anderson School of Management in the area of Decisions and Operations Management. As a professor, I taught a variety of courses, mostly in the areas of Operations Management and Quantitative Analysis, to M.B.A. and Ph.D. students and to business executives. I also performed and published research

[1] For convenience, I will collectively refer to the defendants in this matter as "Summit Point."
[2] FERC Docket No. ER10-942-000.

related to Operations Management and Industrial Engineering. A particular focus in mine – in research, teaching, and in my current position – has been and continues to be the understanding, modeling, and management of uncertainty in business decisions, finances, and operations. Exhibit 1 contains my *curriculum vitae*. My billing rate in this matter is $420 per hour.

Briefly, this litigation was precipitated by the following chain of events. Summit Point entered into a Ground Lease[3] dated July 25, 2006, with Homeland Security Corporation ("HSC"), a company that is not a party to this litigation. The Ground Lease anticipated that HSC would construct and operate a training center on land owned by Summit Point, and the training center was to include "indoor combat firearms training range(s); aircraft countermeasures training range(s); and administration, classroom, dormitory, cafeteria and physical fitness space." HSC subsequently assigned its interests in the Ground Lease to HTC in October of 2006. Thereafter, another firm, Homeland Security Facilities, LLC ("HSF") was formed for the purpose of acquiring financing for the training center.[4] As I understand the situation, HSF was to construct, own, and operate the dormitory and other facilities, and HTC was to provide security training services (entirely or primarily under government contracts) using and renting HSF's training facilities. These facilities were never fully financed or constructed however. Rather, on October 17, 2007, Summit Point notified HTC that the Ground Lease had been terminated,[5] and HTC thereafter filed suit against Summit Point. I also understand that HTC had a 12 percent interest in HSF;[6] thus, HTC would have participated in any HSF profits. In support of its damages claims, HTC has put forward Ms. Kovalkova as an expert witness, and Ms. Kovalkova has created analyses that, HTC contends, quantify the profits that HTC might have earned but for termination of the Ground Lease.[7]

[3] The Ground Lease appears as HTC-Pretrial-#1.000001 – 21.

[4] Deposition of Doctor Crants, August 20 – 21,2010, at 133 – 4.

[5] Letter from Barbara Scott to Doctor Crants dated October 17, 2007. [HTC-Pretrial-#11.000001]

[6] My understanding that HTC owned a 12 percent interest in HSF is based on Plaintiff's Answers to Supplemental Interrogatories, Question 11 [SUPP.INT.000018 – 19], and other record evidence [e.g., DueDiligence.000005]. I am also aware that Mr. Doctor Crants stated in deposition that he "was assigning [his] 12 percent of HSF, LLC to HTC" which would have given HTC a 24 percent ownership in HSF. [Crants deposition at 183] Given that this assignment of ownership was apparently undocumented, was undertaken without any compensation to Mr. Crants, and is inconsistent with other record evidence, I have assumed that HTC owned a 12 percent interest in HSF. If it is determined that HTC's ownership in HSF was actually 24 percent (or some other value), I reserve the right to update this report and my opinions.

[7] In deposition (July 8, 2010), Ms. Kovalkova was ambiguous as to whether her analyses were of lost profits or of the value of HTC. For example, see Kovalkova deposition at 13, line 9.

I was engaged by counsel for Summit Point to prepare expert opinions, which are contained in this report, about HTC's lost profits claims. Specifically, I was asked to assess whether Ms. Kovalkova's analyses and/or the record evidence indicates that there is a reasonable certainty that the termination of the Ground Lease resulted in lost profits to HTC. I was also asked to assess whether Ms. Kovalkova's analyses reliably and/or with reasonable certainty estimate profits that HTC might have earned but for the termination of the Ground Lease. I have reviewed Ms. Kovalkova's computations, all (to my knowledge and except as noted) of the documents produced in this litigation, all of the depositions conducted to date in this litigation,[8] and expert reports of Mr. Peter McDonald and Mr. Harold Martin. I have also relied upon certain other documents that are cited herein.[9] My opinions in this matter are summarized below and are detailed in the remainder of this report:

1. Even absent the termination of the Ground Lease, there is uncertainty about whether HSF would have been able to acquire sufficient funding, uncertainty about whether HSF and HTC would have been able to generate sufficient revenue to be profitable, and other issues that may have deleteriously impacted HSF's development project. Thus, there is no reasonable certainty that HTC would have been profitable but for the termination of the Ground Lease.

2. Ms. Kovalkova's analyses are deficient and speculative and do not provide any reliable or reasonably certain indication of profits that HTC might have earned but for the termination of the Ground Lease. Instead, Ms. Kovalkova's analyses are based on unsupported and highly speculative assumptions, contain errors, and rely on inappropriate comparisons with established and profitable "benchmark firms" that are primarily engaged in business areas other than security training (which was to be HTC's business).

Finally, I understand that discovery in this matter is ongoing. I also have not had the opportunity to fully review and consider all of the documents supplied by CSP Associates, Inc. ("CSP") due to the very recent availability of these documents. I thus reserve the right to supplement and/or revise my opinions and this report.

[8] However, I understand that the transcript of the deposition of Jay Goldman is not yet available, so I have not reviewed that deposition nor have I reviewed any exhibits or other materials from that deposition.
[9] Documents on which I rely that may not be easily available from public sources are provided as an appendix.

of Mr. McDonald and Mr. Harold Martin. Thus, Ms. Kovalkova's analyses do not provide evidence that HTC would have been profitable but for the termination of the Ground Lease.

To summarize, even absent the termination of the Ground Lease, there is uncertainty about whether HSF would have been able to acquire sufficient funding, uncertainty about whether HSF and HTC would have been able to generate sufficient revenue to be profitable, and other issues that may have deleteriously impacted HSF's development project. Thus, there is no reasonable certainty that HTC would have been profitable but for the termination of the Ground Lease.

Ms. Anna Kovalkova's Analysis

Ms. Kovalkova, who has been put forward by HTC as an expert witness, created numerous versions of analyses that purport to value HTC and its cash flows; these different versions appear as Exhibits 8 through 17 from her deposition. However, Ms. Kovalkova indicated that the version of her analyses that appears in Exhibit 16 from her deposition represents her opinion regarding HTC's valuation,[36] so my comments herein refer to that version of her analysis which I have reproduced here as Exhibit 3.[37] Nonetheless, the different versions of Ms. Kovalkova's analyses are sufficiently similar that my comments are generally applicable to the other versions as well.

As shown in rows 5 through 7 of Exhibit 3, Ms. Kovalkova reports three sets of valuations that purport to value HTC's business as of June 9, 2008:

1. Row 5 ("Discounted Cash Flow Value") shows the results from Ms. Kovalkova's "Homeland Training Center DCF Valuation"[38] that appears on rows 10 through 31. This valuation reports a range of between \$17.6 million and \$5.5 million for HTC's valuation depending on the discount rate applied to future HTC cash flows (i.e., cash flows that HTC had projected would occur at a point later than the June 2008 valuation date). Ms. Kovalkova's valuations are based on a range of (annual) discount rates of between 20

[36] Kovalkova deposition at 110 – 111.
[37] More accurately, Exhibit 3 reproduces the spreadsheet underlying Exhibit 16 from Ms. Kovalkova's deposition, and Exhibit 3 also includes the spreadsheet's row and column headings which did not appear in Ms. Kovalkova's deposition exhibit. This spreadsheet (filename "HTC - Valuation (6-9-08 as of 6-9-08) (updated 7-1-2010).xls") was provided to me by counsel.
[38] "DCF" is an acronym for "discounted cash flow."

percent and 40 percent with low discount rates corresponding to high valuations and vice versa.

2. Row 6 ("Comparable Company Value") shows the results from Ms. Kovalkova's "Homeland Training Center Comparable Company Analysis." This valuation appears in rows 33 through 74 of Exhibit 3 and reports a range of between $16.7 million and $11.8 million depending on the discount rate.

3. Row 7 ("Average") shows the average of these two valuation methods which ranges from $17.2 million to $8.6 million depending on the discount rate.

Deficiencies in Ms. Kovalkova's Discounted Cash Flow Analysis

Ms. Kovalkova's "Homeland Training Center DCF Valuation" – i.e., her "DCF valuation" – employs a standard methodology of valuing a company by converting streams of projected future cash flows into a "present value" that represents the value of the company as of the valuation date (June 9, 2008). This valuation is speculative and deficient for a number of reasons that include: (1) It assumes cash flows (Rows 13 and 14) for HTC and HSF that are highly speculative and that are based on unsupported and untenable assumptions by Mr. Crants (as discussed in Mr. McDonald's expert report). (2) It incorrectly assumes that HTC owned a 24 percent interest in HSF (Row 14) whereas HTC's interest in HSF was actually 12 percent.[39] (3) It inappropriately and without justification assumes a $900,000 projected "Cash Dividend from Debt Refinancing"[40] (Row 17). (4) Ms. Kovalkova used a June 9, 2008, valuation date; a more appropriate valuation date is the October 17, 2007, notification date of the Ground Lease termination. (5) Other reasons as discussed in Mr. McDonald's expert report.

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[39] As discussed previously.

[40] Mr. Crants indicated in deposition that this $900,000 value reflects his expectation that a permanent loan would replace the construction loan from Stillwater Bank and that this permanent loan would be sufficiently large that it would allow for a $900,000 dividend to investors. However, given that this dividend would be offset by additional liabilities (in the form of increased loan principal), this is not a sufficient justification for inclusion of this value in the discounted cash flow analysis. Another relevant issue is that the permanent loan (as well as the construction loan) would presumably have been a loan to HSF, and there is no indication that the $900,000 value recognizes that HTC held only a partial (12 percent) interest in HSF. Further, in deposition, Ms. Kovalkova did not provide a valid explanation for inclusion of this cash flow despite direct questioning on this topic: "Doc Crants gave it to me and said that's the projected cash dividend from debt refinancing" (Kovalkova deposition at 38).

Deficiencies in Ms. Kovalkova's Comparable Company Analysis

Ms. Kovalkova's "Homeland Training Center Comparable Company Analysis" – i.e., her "Comparable Company Analysis" – purports to value HTC by using a valuation methodology that is based on observable valuations of other "benchmark firms." The benchmark firms used in Ms. Kovalkova's analysis were either publicly traded firms or firms that had recently been acquired. For the publicly traded benchmark firms, Ms. Kovalkova's methodology is as follows: (1) Each benchmark firm's market capitalization (the firm's stock price times number of outstanding shares of the firm's stock) is used as an estimate of the benchmark firm's valuation. (2) Each benchmark firm's estimated valuation is divided by that firm's forecasted 2010 pre-tax income, and these values (one per benchmark firm) are averaged to get a valuation-to-income ratio. (3) HTC's projected 2010, 2011, and 2012 pre-tax income values[41] are multiplied by the valuation-to-income ratio, and the resulting values are reduced by 35 percent to adjust for "illiquidity."[42] Using this methodology, Ms. Kovalkova computed three valuation estimates for HTC (one based on each of HTC's projected 2010, 2011, and 2012 pre-tax income values). For the recently acquired benchmark firms, Ms. Kovalkova used essentially the same methodology based on the benchmark firms' acquisition prices and HTC's projected 2011 pre-tax income – this resulted in a fourth valuation estimate for HTC. Ms. Kovalkova then averaged these four valuation estimates and reported this value as the "Comparable Company Value."

The benchmark firms in Ms. Kovalkova's analysis consist of four publicly traded and three acquired firms. One firm, ArmorGroup, is in both categories – it was publicly traded until its acquisition by G4S, PLC in June 2008. These six benchmark firms are briefly described below.

ArmorGroup was a British based security firm prior to its acquisition by G4S Limited in 2008.[43] Prior to ArmorGroup's acquisition:

- ArmorGroup had more than 8,500 employees, maintained offices in 27 countries, "supported its clients in over 50 countries," and "provided its services to over 95 separate government and NGO clients in over 45 countries during 2007."[44]

[41] The 2011 and 2012 estimated pre-tax income values were also discounted back one or two years respectively.
[42] And, Ms. Kovalkova claims, for the differences in size between HTC and the benchmark firms; Kovalkova deposition at 130.
[43] ArmorGroup Annual Report & Accounts 2007 at 5.

- ArmorGroup was organized into three divisions: Protective Security, Security Training, and Weapons Reduction & Mines Clearance. The firm supplied services in five service lines: Protective Security, Security Training, Weapons Reduction and Mine Clearance, Risk Management, Development and Reconstruction.[45]

- ArmorGroup's 2007 revenue was $295 million.[46]

- The Security Training Division's 2007 revenue was $18.5 million (6.3 percent of ArmorGroup's total), and the division reported a 2007 loss of $1.5 million. 2007 revenue and income for the Protective Security Division were $258 million and $7.9 million respectively. Revenue and income for the Weapons Reduction and Mine Clearance Division was $18.5 million and $2.7 million.[47] ArmorGroup's 2007 revenue from North America was $16.8 million (5.7 percent of total).[48]

DynCorp International, Inc. ("DynCorp") provides defense and technical services, mostly to the U.S. government departments and agencies.[49] During DynCorp's 2008 fiscal year:[50]

- DynCorp conducted operations through two business units: (1) Government Services, and (2) Maintenance and Technical Support Services. The Government Services business unit consisted of five operating units: (1) Law Enforcement and Security (which apparently included DynCorp's security-related training services, see below), (2) Contingency and Logistics Operations, (3) Operations Maintenance and Construction Management, (4) Specialty Aviation and Counter-drug Operations, and (5) Global Linguist Solutions. DynCorp's 10-K Report stated that the Law Enforcement and Security operating unit "provides international policing and police training, judicial support, immigration support and base operations." In addition, this operating unit "provides security and personal protection for diplomats, designs, installs and operates security systems, security

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[44] ArmorGroup Annual Report & Accounts 2007 at 3 and 6.
[45] ArmorGroup Annual Report & Accounts 2007 at 2 – 3 and 53.
[46] ArmorGroup Annual Report & Accounts 2007 at 4.
[47] ArmorGroup Annual Report & Accounts 2007 at 53. ArmorGroup's Security Training Division's 2006 and 2007 financial results were similar. For 2006, the division's revenue was $18.3 million (6.7 percent of $273 million in total 2006 ArmorGroup revenue), and it reported a loss of $1.4 million.
[48] ArmorGroup Annual Report & Accounts 2007 at 55.
[49] DynCorp 2008 10-K Report at 2.
[50] DynCorp's 2008 fiscal year ended March 28, 2008. [DynCorp 2008 10-K Report]

software, smart cards and biometrics for use by government agencies and commercial customers."[51]

- DynCorp's revenue was $2.1 billion; its income was $48.0 million.[52] Its Government Services business unit reported revenue of $1.4 billion (66.7 percent of total) and operating income of $95.9 million.[53]

- DynCorp reported that its self-identified peer group of companies was: "AECOM Technology Corp. (ACM), CACI International Inc. (CAI), ITT Corporation (ITT), KBR Inc. (KBR), L-3 Communications Holdings Inc. (LLL), ManTech International Corp. (MANT)., SAIC Inc. (SAI), SI International Inc. (SINT) and SRA International Inc. (SRX)."[54] None of these firms appears in Ms. Kovalkova's analysis.

- DynCorp had over 16 thousand employees in approximately 30 countries.[55]

G4S, PLC ("G4S") is a large international security firm. As of Ms. Kovalkova's June 2008 valuation date:

- G4S was "the largest employer quoted on the London Stock Exchange with over 530,000 employees."[56]

- The G4S website listed the following service areas/offerings: manned security (aviation security, mobile patrols, specialist services, sporting events, conferences and exhibitions); security systems (intruder alarms, access control, biometrics, closed circuit television, control room systems, risk assessment); justice services (rehabilitation facilities, electronic monitoring, immigrant detainment); risk consultancy; cash services (cash and

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[51] DynCorp 2008 10-K Report at 2–3.
[52] DynCorp 2008 10-K Report at 27.
[53] DynCorp 2008 10-K Report at 32.
[54] DynCorp 2008 10-K Report at 26.
[55] DynCorp 2008 10-K Report at 11.
[56] http://www.g4s.com; herein, all references to http://www.g4s.com refer to that website as archived by web.archive.org on May 1, 2008.

valuables transportation, coin and cash management, cash center management, automated teller machine replenishment and management, IT systems).[57]

- G4S's 2007 revenue was $8.8 billion, and its income was 425 million.[58]

Kroll, Inc. ("Kroll"), a provider of "risk consulting services,"[59] was acquired in 2004 by Marsh & McLennan, Inc., and Marsh & McLennan sold Kroll to Altegrity, Inc., a security and "specialized law enforcement training company"[60] in 2010. Around the time of the acquisition of Kroll by Marsh & McLennan:

- Kroll was organized around five business groups: Corporate Advisory and Restructuring Services, Consulting Services, Technology Services, Background Screening Services, and Security Services.[61]

- Kroll's training services were one part of its Security Services business group which "provides security architecture and design, corporate security consulting, emergency management and environmental services as well as protective services, operations and training." Kroll's training services were performed at its Crucible facility in Fredericksburg Virginia.[62]

- Kroll's 2003 Annual Report states that its annual revenue was $485 million of which $33 million (6.8 percent) was from the Security Services business group (which includes training services). Kroll's annual Gross Profit was $261 million, of which $10.2 million (3.9 percent) was from the Security Services business group (which includes training services).[63] The Annual Report provides no indication of whether Kroll's training services was a profitable line of business.

- Kroll's Annual Report indicates that the firm maintained offices and headquarters in New York, London, Toronto, Hong Kong, and Miami; it additionally maintained 27 domestic

[57] http://www.g4s.com
[58] Exhibit 3
[59] Kroll 2003 10-K Report at 2.
[60] http://www.altegrity.com/About-Altegrity.aspx
[61] Kroll 2003 10-K Report at 2.
[62] Kroll 2003 10-K Report at 2 and 10.
[63] Kroll 2003 10-K Report at 3 and 32.

facilities and 31 foreign offices/facilities in 15 countries. The Annual Report indicates that Kroll's principal properties and facilities were located in: Eden Prairie, Minnesota; New York, New York; London, England; Loveland, Colorado; Philadelphia, Pennsylvania; Toronto, Canada; Gretna, Louisiana; and Nashville, Tennessee. The Crucible training facility is not listed as a principal property.[64]

- Kroll had approximately 2,500 employees in the U.S. and abroad.[65]

PAE, formerly Pacific Architects and Engineers, was established in 1955[66] and is a subsidiary of Lockheed Martin Corporation ("Lockheed")[67] with "Core competencies in Mission Readiness, Peacekeeping, Global Infrastructure Support and Disaster Relief activities."[68] At the time of the acquisition of PAE by Lockheed, which was announced August 17, 2006: [69]

- PAE maintained offices and/or operations in the United States and also in Sierra Leone, New Zealand, Afghanistan, East Timor, D.R. Congo, Singapore, Honduras, Indonesia, Malaysia, Thailand, Vietnam, Canada, Bosnia, Korea, Sudan, Japan, and Spain.

- PAE's annual revenue was $320 million.[70]

- PAE's website presented the following overview of the firm: "Since 1955, PAE has enhanced its solid technical base and developed a unique way of both approaching and solving problems. These capabilities and the firms (*sic*) global network of resources distinguish PAE from all other operations and maintenance competitors. PAE has grown from designing bridges to installing offshore oil platforms to supplying entire labor forces to maintaining extensive military installations and bases."

- The services provided by PAE included: Mechanical, Civil, and Electrical Engineering; Electrical Power Production and Distribution; Heating, Ventilation, and Air

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[64] Kroll 2003 10-K Report at 20.
[65] Kroll 2003 10-K Report at 12.
[66] https://www.paecivpol.com/civ_main.asp?pg=aboutpae.html&mnu=4
[67] Lockheed announced the acquisition of PAE in 2006 (WebWire, August 17, 2006). Recently, Lockheed announced its intention to sell PAE (Washington Post, June 3, 2010).
[68] http://www.paegroup.com/index.asp accessed August 13, 2010.
[69] Except as noted, this list was compiled from www.pae.com.sg and www.paegroup.com websites from August 8, 2006 as archived by web.archive.org.
[70] Exhibit 3

Conditioning; Fire Protection; Water Production, Treatment, and Distribution; Logistics; Communications; Personnel Recruitment and Training; Administrative and Support Services; Life Support Systems (Housing Referral and Food Services); Safety and Security Services; Traffic Management Equipment Calibration and Repair; Maintenance Services (Aircraft, Airfields, Roads and Grounds); Entomological Services; POL Services; Medical/Dental Services; Motor Vehicle Fleet Management and Maintenance; Facilities Management; Offshore Construction; Autowelding; Design Build.

- PAE had over 6,000 employees and three operating units: PAE Government Services, Japan Operations, and Asia Pacific Operations.

Securitas AB ("Securitas") is a Sweden-based security firm. During 2007:

- Securitas serviced "a wide range of customers in a variety of industries and segments. They range from governments, airports, critical infrastructure, office buildings, banks, shopping centers, hotels, manufacturing industries, mines, hospitals, residential areas to high-tech and IT companies."[71]

- Page 8 of the firm's 2007 Annual Report states that, "Securitas provides security services aimed at protecting homes, workplaces and society. The main service offering lines are specialized guarding, mobile services and monitoring. In addition, Securitas provides consulting and investigation services through Pinkerton and cash handling services through Loomis, two wholly-owned subsidiaries." Notably, this description of Securitas' business does not mention training and neither do the more detailed descriptions of Securitas' services that appear later on that same page (see Exhibit 4)

- Securitas had more than 250,000 employees and operated in more than 30 countries.[72]

- Securitas' revenue was $10.4 billion. Its pre-tax income was $426 million.[73]

Ms. Kovalkova's Comparable Company Analysis is an example of a "relative valuation," which, broadly, means that an asset's valuation is based on a comparison with similar assets. In using

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[71] Securitas 2007 Annual Report at 3.
[72] Securitas 2007 Annual Report at 3.
[73] Exhibit 3.

relative valuation to value a "target firm," it is critical that the benchmark firms are sufficiently similar to the target firm that the resulting valuation is valid. This is simply not the case in Ms. Kovalkova's Comparable Company Analysis. The fact that the benchmark firms are all vastly different from HTC is illustrated by the following comparisons from the time of Ms. Kovalkova's June 2008 valuation date:

1. Each of Ms. Kovalkova's benchmark firms had generated annual revenue values in the hundreds of millions or billions of dollars per year; the range was from $295 million per year (ArmorGroup) to $10.4 billion per year (Securitas). HTC, the target firm, was such a new entity that it had never generated any revenue and had no prospect of doing so until at least a year later than Ms. Kovalkova's valuation date.

2. Each of Ms. Kovalkova's benchmark firms had a proven ability to generate positive income. As described above, ArmorGroup had reported $4 million in annual pre-tax income, the other benchmark firms had each reported at least $83 million, and Securitas and G4S had each earned more than $400 million. HTC had never generated any income and had no prospect of doing so until sometime after the HSF facility was financed and constructed.

3. Each of Ms. Kovalkova's benchmark firms was an international firm with numerous facilities/operations in many different countries. HTC was to have a single facility in West Virginia, the construction of which had not yet begun.

4. Each of Ms. Kovalkova's benchmark firms offered numerous service lines other than security training, the service that HTC was to offer. In fact, security training was a very small part of each of the comparison firm's business (if they even engaged in security training). For example: (1) Kroll's Security Services business group represented just 6.8 percent of Kroll's revenue and 3.9 percent of its profit, and these values also include numerous service offerings other than security training. (2) It is not clear from Securitas's Annual Report that Securitas performed *any* security training of the type envisioned by HTC. Only ArmorGroup appears to have had a business unit that was ostensibly devoted to security training, the ArmorGroup Security Training Division; that division, which

represented just 6.3 percent of ArmorGroup's revenue, actually lost money (2007 income of *negative* $1.5 million).[74]

5. Each of Ms. Kovalkova's benchmark firms had thousands of employees. In the extreme case, G4S had over half a million employees. HTC's staffing plan included just 11 employees through the first 2 to 3 years of operations.[75]

6. By virtue of the benchmark firms' diverse service offerings, existing contracts, access to capital markets, and demonstrated capabilities, the benchmark firms were substantially less risky than HTC.

7. A firm's discount rate is an indicator of the riskiness of the firm's cash flows, and discount rate estimates are readily available for G4S, Securitas, and DynCorp because these firms are or have recently been publicly traded.[76] Bloomberg, a financial information service that is also available to Ms. Kovalkova, provided the following discount rate estimates:[77]

G4S:	10.83 percent
Securitas:	8.16 percent
DynCorp:	8.42 percent

In comparison, Ms. Kovalkova opined that a range of between 20 percent and 40 percent was suitable for HTC.[78] Since a higher discount rate indicates increased risk, Ms. Kovalkova's own assumptions quantifiably indicate that HTC was substantially more risky than the benchmark firms that appear in her analysis.

Another reason that Ms. Kovalkova's Comparable Company Analysis is deficient and speculative is that the analysis is based upon the same HTC revenue and cash flow projections that appear in Ms. Kovalkova's Discounted Cash Flow analysis. Thus, the highly speculative nature of these projections implies that Ms. Kovalkova's Comparable Company Analysis is

[74] ArmorGroup Annual Report & Accounts 2007 at 53.
[75] [000000725]
[76] Specifically, the Weighted Average Cost of Capital ("WACC") is a commonly used measure of the relative riskiness of firms' cash flows.
[77] See Exhibit 5.
[78] Kovalkova deposition at 101.

highly speculative, and the incorrect assumption that HTC had a 24 percent ownership in HSF and the inappropriate use of a June 9, 2008, valuation date[79] further undermines her Comparable Company Analysis. Additionally, Ms. Kovalkova's assumed cash flows indicate positive profits for HTC as early as 2009, but the validity of this is directly undermined by the fact that ArmorGroup's Security Training Division – the only business unit from Ms. Kovalkova's benchmark firms for which unconsolidated financial information is available and that is, ostensibly, primarily engaged in security training – reported negative income (i.e., the division lost money in the year prior to ArmorGroup's acquisition by G4S).

To summarize, Ms. Kovalkova's Comparable Company Analysis is deficient and speculative because it is premised on inappropriate comparisons with benchmark firms, assumes highly speculative cash flows, and contains errors. I thus conclude that this analysis does not provide a reliable or reasonably certain indication of HTC's value.

Statements by Ms. Kovalkova Indicating the Unreliability of Her Valuations

In deposition, Ms. Kovalkova characterized her analysis as being a "ballpark valuation," and, in doing so, she essentially admitted that her valuation is unreliable. She stated "the goal is to find the best [comparison firms] so you can get the ballpark valuation,"[80] "this type of valuation work is done and we get to a ballpark valuation,"[81] and "we would run the valuation to get to the ballpark valuation range."[82]

Other statements by Ms. Kovalkova regarding the manner in which Ms. Kovalkova and her employer use valuations in their ordinary course of business also indicate that her HTC valuations are unreliable. As described by Ms. Kovalkova, valuations of the type that she has submitted in this case are essentially used within her firm as an initial screening tool. These "preliminary"[83] valuations are not treated by her or her firm as reliable indicators of whether firms are investment-worthy as indicated by the fact that, prior to actually investing in firms,

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[79] As above, the October 17, 2007, notification date of the Ground Lease termination is a more appropriate valuation date.
[80] Kovalkova deposition at 84.
[81] Kovalkova deposition at 208.
[82] Kovalkova deposition at 211; also see page 139.
[83] Kovalkova deposition at 208.

Kovalkova and her firm conduct a substantial amount of additional research and perform more reliable and detailed analyses. Ms. Kovalkova stated in deposition that

> First, you do the initial valuation based on the projections that are provided to you, based, you know, on comparable companies that you could find. And then the due diligence, that's a whole different, you know, set of processes.[84]

She further stated,

> [I]nitially, we do, you know, [a Comparable Company Analysis] and [a Discounted Cash Flow Analysis] just like here...But then the next step is the deep-dive financial due diligence and due diligence of the entire business. So that's when we go through and, you know, dig all the numbers and all that stuff.

However, in the current matter, Ms. Kovalkova did no due diligence and performed no inquiries into the cash flows and other assumptions on which she based her valuation opinion. With regard to her assumptions about HTC's cash flow projections, Ms. Kovalkova used cash flow projections that she was supplied by Mr. Crants, and in deposition she stated that she did so without any knowledge of the basis for those projections:[85]

> Question: [D]o you know the basis on which these [cash flow] estimates were formulated?
>
> Ms. Kovalkova: Well, my assumption is that Doc Crants used a set of assumptions to derive to these cash flows.
>
> Question: Do you know what those assumptions were?
>
> Ms. Kovalkova: No

Conclusions Regarding Ms. Kovalkova's Analyses

Ms. Kovalkova's analyses are deficient and speculative and do not provide any reliable indication of profits that HTC might have earned but for the termination of the Ground Lease. Instead, Ms. Kovalkova's analyses are based on unsupported and highly speculative cash flows, contain errors, and rely on inappropriate comparisons with established and profitable

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[84] Kovalkova deposition at 146.
[85] Kovalkova deposition at 64 – 65.

"benchmark firms" that are primarily engaged in business areas other than security training (which was to be HTC's business).

Scott Carr, Ph.D.
LECG, LLC
September 15, 2010

Exhibit 1: *Curriculum Vitae* for Scott Carr, Ph.D.

Scott Carr, PhD
Principal, LECG

1725 Eye Street, N.W., Suite 800
Washington, DC 20006
phone: 202-973-6648
fax: 866-804-8110
email: SCarr@lecg.com

Doctoral Degree
PhD, University of Michigan, Ann Arbor, Michigan, 1999
Business Administration and Engineering

- Doctorate jointly conferred by The Michigan Business School (Operations Management) and the College of Engineering (Industrial and Operations Engineering)

Other Degrees
MS Engineering, Industrial and Operations Engineering, University of Michigan, 1994
MS Engineering, Construction Management and Engineering (Civil and Environmental Engineering), University of Michigan, 1993
BS Engineering, Mechanical Engineering, University of Michigan, 1986

Faculty Experience
UCLA Anderson School of Management – Decisions, Operations, and Technology Management, 1999-2007

Recent Professional Activities – representative examples

- Economic modeling and analysis including:
    - Testimony to the Federal Energy Regulatory Commission regarding credit issues in electricity markets
    - Prepared report regarding the financial impact of automotive emissions control regulations for an association of major automobile manufacturers
    - Valuation and depreciation analysis for crude oil pipelines
    - Bond, stock, and derivatives analyses for bankruptcy litigation in the electricity industry
    - Arbitration testimony regarding supply chain management for a Tier-1 automotive supplier
    - Financial analysis of structured finance transactions in the energy industry
    - Probabilistic modeling of private equity funds' performance
    - Valuation of supply contracts for a new mining venture
    - Analysis for class-certification and merits stages of price-fixing litigation among chemical manufacturers
    - Analysis of alleged monopolization of industrial chemicals
- Managed, advised, or performed strategic projects for firms/organizations including:
    - Large coal-mining firm
    - Leading defense contractor
    - Leading semiconductor supplier
    - Large manufacturer of optical and scientific devices
    - National chain of department stores
    - Los Angeles Community Redevelopment Agency

- Large automotive supplier
- Leading advertising agency
- National chain of theme parks

- Speeches/presentations delivered regularly at academic conferences
- Principal investigator in a project and grant to improve small enterprises' access to business expansion capital
- Member of editorial board for *Decision Sciences Journal* and frequent reviewer for *Management Science*, *Operations Research*, and other academic journals

Graduate-Level Courses Taught at The UCLA Anderson School of Management
Competition and Industrial Organization [PhD] – Game theoretic models of inter-firm interaction. Classic and seminal oligopoly models. Advanced game theory. Models of strategic interaction within complex production networks. Antitrust. Analysis and proof techniques, 2006

Managerial Model Building [MBA] – Mathematical modeling, analysis, and optimization. Linear, non-linear, and integer programming/optimization. Monte-Carlo simulation. Forecasting methods. Project Management models and tools. Application of optimization models in business settings, 2005-2006

Simulation Theory and Applications [PhD] – Monte-Carlo, discrete event, and agent-based simulation for finance, marketing, and operations. The use of simulation in empirical research. Simulation of stochastic processes. Option valuation (both financial and real) using simulation. Applications (e.g., simulation of intellectual property piracy across the Internet), 2004-2006

Management in the Information Economy [MBA] – Internet and telecommunication technology. Internet business models and strategy. Economics of information products and processes, 2003

Fundamentals of Operations Management [MBA] – Analysis of business processes. Formulating and executing business strategy. Service and performance measurement and metrics. Managing risk, variability, and uncertainty. Management of supply chains and production processes. 1999-2003, 2006

Dynamic Programming and Sequential Optimization [PhD] – Dynamic programming, Markov chains and decision processes, solution and proof techniques, and structural results and proofs, 2000

Other Teaching
PhD Dissertation Committees (including Dissertation Advisor) – topic areas including: competition economics, operations management, information technology, international business, simulation

Executive Education at UCLA Anderson – Various topics in the following programs (1999 to 2007):

- Managing the Information Resource
- Creating and Leading the Project-Centered Organization (faculty director)
- Supply Chain Management
- Head Start – Johnson & Johnson Management Fellows Program
- UCLA Strategic Leadership Institute
- California HealthCare Foundation's Health Care Leadership Program
- Johnson & Johnson Healthcare Leadership Program

University of Michigan, Ross School of Business [BBA] – Operations Management, 1997

University of Michigan, College of Engineering [BSE] – Computer Programming, 1995

Research

Guillaume Roels, Uday Karmarkar, and Scott Carr, "Contracting for Collaborative Services," *Management Science*, 56:5, May 2010, 849-863.

Ram Bala and Scott Carr, "Usage-based Pricing of Software Services," *Journal of Revenue and Pricing Management*, 9:3, 2010, 204-216.

Reza Ahmadi, Scott Carr, and Sriram Dasu, "Gray Markets, Demand Uncertainty, and Excess Inventory," Available at SSRN: http://ssrn.com/abstract=1571868, 2010

Ram Bala and Scott Carr, "Pricing Software Upgrades: The Role of Product Improvement and User Costs," *Production and Operations Management*, September-October 2009, 560-580.

Scott Carr, Uday Karmarkar, and Deming Zhou, "Competition in Multi-Echelon Distributive Supply Chains," under revision for *Manufacturing and Service Operations Management*.

Scott Carr and Uday Karmarkar, "Competition in Multi-Echelon Assembly Supply Chains," *Management Science*, vol. 51, January 2005, 45-59

Scott Carr, Online Auctions with Costly Bid Evaluation, *Management Science* (special issue on e-Business) vol. 49, November 2005, 1521-1528

Dissertation Advisor for Ram Bala, PhD (faculty, Indian School of Business), Dissertation title: *Pricing and Contracting Strategies for Software Products and Services*, 2004

Scott Carr and William Lovejoy, "Choosing an Optimal Demand Portfolio for Capacitated Resources," *Management Science*, vol. 46, July 2000, 912-927

Scott Carr and Izak Duenyas, "Optimal Admission Control and Sequencing in a Make-to-Stock/Make-to-Order Production System," *Operations Research*, vol. 48, Sept.-Oct. 2000, 709-719

Scott Carr, *Essays on the Allocation of Scarce Capacity Among Multiple Market Segments*, PhD dissertation.

Other Relevant Experience

Manufacturing – Libbey-Owens-Ford (1995–1998)

- Consulting and research related to contracting and demand management, information systems, data-mining, production planning and scheduling, demand forecasting, and materials management

Legal – Case management and expert-witness preparation (1995–1998)

- Researched case and administrative law on employers' and owners' safety responsibilities in multi-employer construction jobsites
- Developed case theories and strategies, wrote briefing materials, and engaged in trial preparation

Finance – Traded and managed portfolios of foreign exchange and Treasury bond options (1988–1991)

- Member of Chicago Board of Trade
- Member of Chicago Mercantile Exchange

Information Technology – Computer Associates, Chicago Illinois (1991–1992)

- Mainframe software systems (datacenter management, security, database management, finance and production applications)

Cases in which Dr. Carr has testified at trial or deposition during the previous 4 years: None

Exhibit 2: Summit Point Enrollment Data

BSR Students
2006

Month	# of 1-day students	# of 2-day students	# of 3-day students	# of 4-day students	# of 5-day students	Total Student/Days excluding 1-day #'s
January	44	69	44	0	14	340
February	58	65	24	27	0	310
March	24	87	33	0	30	423
April	18	75	76	30	45	723
May	22	69	97	123	6	951
June	0	33	31	21	68	583
July	61	130	41	30	0	503
August	38	71	36	19	40	526
September	66	68	20	55	27	551
October	27	64	15	46	26	487
November	48	62	47	29	0	381
December	22	27	42	21	10	314
Total	428	820	506	401	266	6,092

BSR Students
2007

Month	# of 1-day students	# of 2-day students	# of 3-day students	# of 4-day students	# of 5-day students	Total Student/Days excluding 1-day #'s
January	68	35	34	17	14	310
February	36	42	36	42	0	360
March	28	38	129	0	15	538
April	31	43	115	44	15	682
May	69	61	99	30	0	539
June	0	18	180	32	33	887
July	61	98	158	23	41	967
August	78	94	205	24	30	1049
September	43	30	113	12	84	867
October	163	57	102	31	0	544
November	46	67	90	18	15	556
December	17	6	129	49	5	620
Total	640	589	1390	322	252	7,919

Source: Summit Point

BSR Students
2008

Month	# of 1-day students	# of 2-day students	# of 3-day students	# of 4-day students	# of 5-day students	Total Student/Days excluding 1-day #'s
January	83	61	124	16	0	558
February	80	48	118	28	0	562
March	53	73	159	24	24	839
April	102	37	117	49	19	716
May	34	86	181	42	0	883
June	24	22	237	56	18	1069
July	106	103	218	38	0	1012
August	52	30	174	33	18	804
September	68	32	175	46	8	813
October	19	34	132	27	29	717
November	30	35	76	41	24	582
December	51	24	178	50	0	782
Total	702	585	1889	450	140	9,337

BSR Students
2009

Month	# of 1-day students	# of 2-day students	# of 3-day students	# of 4-day students	# of 5-day students	Total Student/Days excluding 1-day #'s
January	106	39	106	70	13	741
February	62	96	133	28	39	898
March	146	113	169	75	24	1153
April	159	84	148	42	12	840
May	104	42	138	36	10	692
June	67	84	232	101	37	1453
July	176	87	197	41	13	994
August	124	97	200	12	35	1017
September	125	105	207	42	34	1169
October	124	94	115	56	36	937
November	131	45	137	7	45	754
December	44	79	160	36	12	842
Total	1368	965	1942	546	310	11,490

BSR Students
2010

Month	# of 1-day students	# of 2-day students	# of 3-day students	# of 4-day students	# of 5-day students	Total Student/Days excluding 1-day #'s
January	121	16	214	30	12	854
February	57	110	133	24	0	715
March	175	119	137	18	12	781
April	128	47	146	80	12	912
May	167	95	227	40	0	1031
June	103	62	172	44	24	936
July	80	161	161	50	12	1065
August	106	184	211	18	53	1338
September	112	162	136	60	53	1237
October						
November						
December						
Sub-Total	1049	956	1537	364	178	8869

Scheduled

Exhibit 3: Ms. Kovalkova's Valuation of HTC

Reproduced from the Spreadsheet Underlying Exhibit 16 from Ms. Kovalkova's Deposition

Homeland Training Center Valuation

	Discount Rate				
	20%	25%	30%	35%	40%
Discounted Cash Flow Value	$ 17,630,758	$ 12,136,690	$ 8,951,359	$ 6,904,809	$ 5,400,944
Comparable Company Value *	$ 16,675,619	$ 15,136,239	$ 13,818,266	$ 12,386,692	$ 11,758,873
Average	$ 17,153,186	$ 13,636,440	$ 11,380,163	$ 9,848,793	$ 8,628,508

* Average of Valuations based on Pre-Tax Income.

Homeland Training Center DCF Valuation

	6/9/2008	12/31/2008	12/31/2009	12/31/2010	12/31/2011	12/31/2012
Training Center Pre-Tax Cash Flows:	$ -	$ (17,785)	$ 864,977	$ 2,179,201	$ 2,866,242	$ 3,683,491
50% of Real Estate Co. Pre-Tax Cash Flows:	$ -	$ 269,399	$ 719,735	$ 715,378	$ 804,518	$ 946,312
Total Operating Cash Flows:	$ -	$ 251,614	$ 1,584,712	$ 2,894,579	$ 3,670,760	$ 4,629,404
Projected Growth Rate in Operating Cash Flow:	NA	NA	NA	83%	27%	26%
Incl. Cash Dividend from Debt Refinancing	$ -	$ -	$ -	$ 900,000	$ -	$ -
Total Applicable Cash Flows:	$ -	$ 251,614	$ 1,584,763	$ 3,794,579	$ 3,670,760	$ 4,629,404

12/31/2009	12/31/2010	12/31/2011	12/31/2012	12/31/2013	
$ 1,201,500	$ 3,900,895	$ 2,900,343	$ 1,312,158	$ 1,942,968	100% of Real Estate Co. Pre-T

Discount Rate: 30%
Growth Rate into Perpetuity: 3%
Terminal Value in 2012: $ 16,517,618

Cash Flows Used for DCF:	$ -	$ 251,614	$ 2,584,712	$ 3,794,579	$ 3,670,760	$ 21,147,022
Implied Value as of 6/9/08:	$ 8,951,359					

Valuation as of 6/9/08 at a discount rate of 20%:	$ 17,630,758
Valuation as of 6/9/08 at a discount rate of 25%:	$ 12,136,690
Valuation as of 6/9/08 at a discount rate of 30%:	$ 8,951,359
Valuation as of 6/9/08 at a discount rate of 35%:	$ 6,904,809
Valuation as of 6/9/08 at a discount rate of 40%:	$ 5,400,944

Homeland Training Center Comparable Company Analysis

Prices as of: 6/5/2008

($M)						Revenue					Pre-Tax Net Income				
Company Name	TK	Price	MV	Net Debt	EV	Run Rate	2007	2008E	2009E	2010E	Run Rate	2007	2008E	2009E	2010E
Closest Comparable Companies															
DynCorp	DCP	$ 17.35	$ 989	$ 508	$ 1,497	$ 2,192	$ 2,119	$ 2,624	$ 3,208	$ 3,408	$ 50	$ 91	$ 93	$ 139	$ 164
Armor Group Int'l[1]	ARGLN	1.57	84	10	93	150	255	312	330	348	10	4	8	9	9
Security Providers															
Securitas AB	SECUB SS	12.67	4,408	1,715	6,123	10,375	10,368	10,397	11,051	11,504	443	436	502	515	612
G4S[2]	GFSLN	4.33	6,133	2,203	8,336	8,721	8,295	10,664	11,784	12,699	475	425	504	612	784

Company Name	TK	Price	MV	Net Debt	EV	EV / Revenue: Run Rate	2007	2008E	2009E	2010E	MV / Pre-Tax Net Income: Run Rate	2007	2008E	2009E	2010E
DynCorp	DCP	$ 17.35	$ 989	$ 508	$ 1,497	0.7	0.7	0.6	0.5	0.4	29.7	16.3	10.4	7.1	6.0
Armor Group Int'l[1]	ARGLN	1.57	84	10	93	0.3	0.3	0.3	0.3	0.3	8.4	19.9	11.2	9.6	9.3
[redacted]															
Securitas AB	SECUB SS	12.67	4,408	1,715	6,123	0.6	0.6	0.6	0.6	0.5	9.9	10.3	8.8	7.9	7.1
G4S[2]	GFSLN	4.35	6,133	2,203	8,336	1.0	0.9	0.8	0.7	0.7	13.0	14.4	10.5	9.0	7.8
[redacted]															

[1] As of June 6, 2008, Armor Group was acquired by G4S and no longer is publicly traded. [illegible]
[2] Formerly Group 4 Securicor.

M&A Transactions

Target Company	Acquirer	Date	TV	Revenue	Pre-Tax Income	TV / Revenue	TV / Pre-Tax Income
Armor Group Int'l	G4S (Group 4 Securicor)	6/6/2008	$ 94	$ 295	$ 4	0.3	12.4
Pacific Architects & Engineers	Lockheed Martin	5/7/2006	607	320	NA	1.9	NA
Kroll Inc.	Marsh & McLennan	7/9/2004	1,930	547	83	3.5	23.4
Average						1.9	22.9

Homeland Training Center's Implied Valuation ($M)

	Company Financials	Multiple Applied	Implied TV	
Public Comps				[redacted]
EV / Revenue 2010E	$ 3.06	0.3	$ 0.71	
EV / Revenue 2011E*	$ 3.94	0.3	$ 1.06	
EV / Revenue 2012E*	$ 5.83	0.3	$ 1.04	
Weighted Average EV / Pre-Tax Income 2010E	$ 1.38	7.6	$ 13.06	
Weighted Average EV / Pre-Tax Income 2011E*	$ 2.89	7.4	$ 16.94	
Weighted Average EV / Pre-Tax Income 2012E*	$ 3.67	7.6	$ 14.52	
M&A				
TV / Revenue**	$ 3.94	1.9	$ 2.93	
TV / Pre-Tax Income**	$ 2.89	22.9	$ 25.74	

* Valuation is found using 2008 multiple and discounted back either 1 or 2 years at the 30% discount rate.
** Discounting 2011 financials back 2.6 years

Average of Pre-Tax Implied Values ($M), including M&A Pre-Tax Value: $ 19.83

Exhibit 4: Securitas Services

Focus on Security

Securitas provides security services aimed at protecting homes, workplaces and society. The main service offering lines are specialized guarding, mobile services and monitoring. In addition, Securitas provides consulting and investigation services through Pinkerton and cash handling services through Loomis, two wholly-owned subsidiaries.

Specialized Guarding
Securitas provides specialized guarding in 30 countries, delivering solutions to a range of businesses, such as financial services, retail, energy services, health care, aviation, the public sector and special events. The solutions and services are customized to each site and situation based on the individual customer's needs and requirements.

A security solution always includes deployment of security officers in combination with some or all of the following components:
- Electronic systems: alarms, access control and surveillance cameras
- Physical security: fences, turnstiles and gates
- Software: reporting, communication, logging and verification systems

The service offering provided by security officers ranges from mobile patrols, access control, fire prevention, receptionist/concierge, monitoring and call-out services to total security solutions. In the USA, Securitas offers security solutions to customers in vertical sectors such as the automotive industry, high-rise buildings, the petrochemical industry, ports and gated communities. Nationwide customers are also offered specialist expertise in such areas as high-tech security services, telecommunications and retail security. In Europe, there are specialized organizations that provide tailor-made services for such sectors as the retail industry and ports. In addition, there is a specialized organization that provides aviation security services to airports, airlines and airport-related businesses, including such services as security screening of passengers and baggage, cargo security, document screening and aircraft guarding and search.

Mobile Services
Securitas' Mobile Services provides cost-effective solutions for small and medium-sized businesses that need 24-hour security but at less cost than a permanent solution. One guard typically attends to the needs of 20–30 customers within a limited geographical area, performing regular external and internal patrols, alarm activations, and opening and closing of premises. Through their local presence, the mobile security officers also serve as a crime deterrent and are close at hand for alarm response calls. In metropolitan areas, Mobile Services also provides city patrols and special alarm response units.

Monitoring
Under the Alert Services brand, Securitas provides monitoring services to businesses, homes and private individuals. The services include alarm monitoring, verification and alarm response. In addition, Alert Services provides track and trace services for moving objects, such as cars and trucks, using the latest GPS and mobile phone technology.

Consulting and Investigations
The wholly-owned subsidiary, Pinkerton Consulting & Investigations, provides a range of specialized services, such as due diligence, background checks, security assessments, brand protection, intellectual property protection, executive protection, investigations, cyber surveillance, computer forensics, social compliance, electronic discovery and IT security.

Cash Handling Services
Securitas' cash handling division, Loomis, provides a range of cash handling services to banks, retailers and commercial enterprises. Cash transportation is primarily provided to banks and retailers and mainly involves the movement of cash to and from banks, retail outlets, ATMs and Loomis' cash processing centers. In the processing centers, modern cash processing systems are used for registration, reconciliation and providing deposit reports directly to customers. Deposits into the customers' accounts are made via clearing systems in partnership with banks.

In addition, Loomis offers technical services for ATMs, including filling, reconciliation, monitoring, quality sorting of bills and technical and repair services. In some markets Loomis also provides specialized solutions that may involve deposit safes, cash and coin recycling, centralized depositories or online services to expedite cash repackaging and delivery.

Source: Securitas 2007 Annual Report

Exhibit 5: Bloomberg WACC Estimates

<HELP> for explanation, <MENU> for similar functions. EquityWACC

Enter #<GO> for details

DynCorp International Inc — Weighted Average Cost of Capital

Weighted Average Cost of Capital

A1 2010

	1) Equity	2) Debt	3) Pref. Eqty
Weight	54.35%	45.65%	0.00%
Cost	11.32%	4.98%	0.00%
W x C	6.15%	2.27%	0.00%

WACC 8.42%

Capital Structure

[redacted]

	Millions of USD
Market Cap	657.42
ST Debt	44.14
LT Debt	508.01
Pref. Eqty	0.00
Total	1,209.57

54.35% 3.65% 42.00% 0.00%

Economic Value Added

4) Net Op. Profit	211.63
5) Cash Op. Taxes	59.82
NOPAT	151.81
6) Total Inv. Cap.	1,151.78
Capital Charge	97.03
Eco. Val Added	54.78
ROIC	13.18%
EVA Spread	4.76%

Percent — Millions of USD

[redacted]

<HELP> for explanation, <MENU> for similar functions. EquityWACC

Enter #<GO> for details

G4S PLC

Weighted Average Cost of Capital

Weighted Average Cost of Capital

S1 2010

	1) Equity	2) Debt	3) Pref. Eqty
Weight	64.82%	35.18%	0.00%
Cost	14.84%	3.45%	0.00%
W x C	9.62%	1.21%	0.00%

WACC 10.83%

[redacted]

Capital Structure

	Millions of GBP
Market Cap	3,770.32
ST Debt	134.40
LT Debt	1,911.50
Pref. Eqty	0.00
Total	5,816.22

64.82% 2.31% 32.87% 0.00%

Economic Value Added

4) Net Op. Profit	423.20
5) Cash Op. Taxes	142.96
NOPAT	280.24
6) Total Inv. Cap.	3,891.80
Capital Charge	421.64
Eco. Val Added	-141.41
ROIC	7.20%
EVA Spread	-3.63%

Percent

Millions of GBP

<HELP> for explanation, <MENU> for similar functions. EquityWACC

~~Warning~~ -- rough approximation for WACC. See * for details.

Securitas AB

~~Weighted~~ Average Cost of Capital

Q2 2010

	1) Equity	2) Debt	3) Pref. Eqty
Weight	68.14%	31.86%	0.00%
Cost	11.26%	1.54% *	0.00%
W x C	7.67%	0.49%	0.00%

WACC 8.16%

Weighted Average Cost of Capital

Capital Structure

	Millions of SEK
Market Cap	25,955.69
ST Debt	5,194.00
LT Debt	6,940.40
Pref. Eqty	0.00
Total	38,090.09

68.14% 13.64% 18.22% 0.00%

Economic Value Added

4) Net Op. Profit	3,800.10
5) Cash Op. Taxes	1,585.40
NOPAT	2,214.70
6) Total Inv. Cap.	20,798.80
Capital Charge	1,697.94
Eco. Val Added	516.76
ROIC	10.65%
EVA Spread	2.48%

Percent Millions of SEK